

Message Text

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PAGE 01 BERLIN 01933 081748Z

53

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 SAJ-01 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

DRC-01 /180 W

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R 081720Z NOV 73

FM USMISSION BERLIN

TO SECSTATE WASHDC 2622

INFO AMEMBASSY BELGRADE

AMEMBASSY BONN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

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E.O. 11652: GDS

TAGS: ETRD, PINT, GE, GW, WB

SUBJECT: GDR DEFENSE OF INCREASED MINIMUM CURRENCY EXCHANGE
REQUIREMENTS

REF: (A) BERLIN 1914; (B) BONN 12345

1. APPARENTLY REASONING THAT BEST DEFENSE IS VIGOROUS
OFFENSE, GDR MEDIA ON NOVEMBER 8 BLAMED RECENTLY
ANNOUNCED NEW CURRENCY EXCHANGE REQUIREMENTS ON
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PAGE 02 BERLIN 01933 081748Z

UNWILLINGNESS OF FRG AND SENAT AUTHORITIES TO PUT AN

END TO MANIPULATION OF GDR CURRENCY. WARNING THAT THERE CAN BE NO RETURN TO PRE-AUGUST 13, 1961 SITUATION (I.E., PRIOR TO ERECTION OF WALL), GDR MEDIA NOTED THAT GDR REPS, INCLUDING STATE SECRETARY KOHL, HAD DEMANDED OF THEIR WEST GERMAN INTERLOCUTORS ON SEVERAL OCCASIONS A HALT TO SALE OF GDR CURRENCY, AND ASSERTED FRG AND SENAT ATTITUDE CONSTITUTED INTERFERENCE IN INTERNAL AFFAIRS AND PLUNDERING OF GDR. THEY ALSO IMPUTED EXTRAORDINARY GREED TO WEST GERMANS WHO SEEK TO COMPOUND BENEFITS FROM LOWER PRICES IN GDR BY PURCHASING EAST GERMAN MARKS AT "FRAUDULENT RATES". MEDIA REplete WITH VIGNETTES OF WEST GERMANS, INCLUDING STUDENTS AND PENSIONERS, APPREHENDED BY EAST GERMAN CUSTOMS WHILE ATTEMPTING TO SMUGGLE GDR MARKS INTO AND EAST GERMAN PRODUCTS OUT OF GDR.

2. COMMENT. GDR OBVIOUSLY SEEKING TO PLACE ONUS FOR CURRENCY EXCHANGE REQUIREMENTS SQUARELY ON OTHER SIDE. HOWEVER, WIDESPREAD BELIEF IN LOCAL BANKING CIRCLES IS THAT GDR ITSELF IS RESPONSIBLE FOR SUPPLYING EAST GERMAN MARKS SOLD IN FRG AND WEST BERLIN AS WELL AS ELSEWHERE IN WEST. IN ANY EVENT, IN ABSENCE SEVERE PENALTIES -- VIOLATORS, WHEN APPREHENDED, ARE FINED AND SMUGGLED CURRENCY IS CONFISCATED -- SMUGGLING LIKELY TO CONTINUE, ALTHOUGH PERHAPS AT SOMEWHAT REDUCED LEVEL. IF IT WERE TO REACH SIGNIFICANT LEVEL, REDUCED DEMAND FOR EAST GERMAN CURRENCY IN WEST WOULD NOT ONLY MAKE IT MORE DIFFICULT FOR GDR TO STAISFY ITS OCCASIONAL EXTRAORDINARY HARD-CURRENCY REQUIREMENTS BY DUMPING ITS CURRENCY, BUT ALSO EVEN FURTHER "DISTORT" THE FREE MARKET VALUE OF THE GDR MARK. THIS WOULD CONFIRM OUR VIEW (REF A) THAT PRIMARY OBJECTIVE OF NEW GDR MEASURE IS TO CURTAIL INFLUX OF WEST GERMAN VISITORS.BORG

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